

**Ambassador Christopher J. LaFleur**  
**Announcement of U.S.-Malaysia Negotiations on a**  
**Bilateral Free Trade Agreement**  
**March 9, 2006**

Thank you all for coming today. I'd like to express my appreciation to the management and staff of GE Engine Services Malaysia for making their facility available for this press conference. We chose this location as a backdrop for this announcement because it demonstrates what an American firm, General Electric, and a Malaysian firm, Malaysian Airlines, can accomplish when they team up together. In this case, Malaysian-American teamwork has built the largest and most advanced engine overhaul facility in Asia today.

I've invited you here today to tell you about a new partnership initiative between our two countries that could lead to even more successful ventures between U.S. and Malaysian firms. As you may have heard, just hours ago in Washington, Minister Rafidah and U.S. Trade Representative Portman announced that our countries have agreed to begin negotiations on a bilateral free trade agreement, or FTA. The Malaysian and the U.S. governments have been carefully studying the idea of a FTA for sometime. I am very pleased that they have concluded that the time is right to take our economic relationship to a higher level.

The advantages of a FTA would be considerable for both parties, but since I am talking to a Malaysian audience let me focus on how Malaysia would benefit. First off, a FTA would help Malaysia cement its most important economic relationship. The U.S. is Malaysia's top export market taking about 20% of this country's exports in 2005. It also is the top foreign investor providing over 20% of Malaysia's FDI during 2000-2005.<sup>1</sup> The U.S. has been Malaysia's number one foreign market and the number one source of investment for many years, so it seems clear that it would be in Malaysia's interest to make this relationship as solid as it can.

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<sup>1</sup> Trade and investment data come from the MIDA website [www.mida.gov.my](http://www.mida.gov.my).

A second benefit is that a FTA would create opportunities for Malaysia to increase its exports to the U.S., and to diversify its exports. While the U.S. is Malaysia's largest export market, electronics goods of different types currently make up about three-fourths of Malaysia's exports to the U.S. I know from talking to Malaysian trade officials that diversification of exports is one of the most important benefits that they expect to obtain from a FTA.

A third benefit of a FTA is that it would raise Malaysia's profile with foreign investors and increase their confidence in this market. As I'm sure you are aware, there is tough global competition for foreign investment these days. The special relationship established with the U.S. through a FTA would help Malaysia stand out from the crowd. U.S. foreign direct investment in Mexico tripled following NAFTA and other U.S. FTA partners have seen increased investment as a result of their agreements. MIDA recently released statistics on the levels of approved investment projects for 2005 and the U.S. again topped the list with \$1.4 billion in investments, mainly from companies already present in Malaysia. A FTA will make such investment, and new "greenfield investment, that much more likely.

A fourth benefit is that the increased trade and investment resulting from a FTA would accelerate Malaysia's economic growth and job creation. And as an added bonus, jobs in exporting industries historically have higher productivity and pay higher wages than those in domestic industry. A study by the U.S. Census Bureau found that even within the same industry, factories in the U.S. that produce for export pay wages that are between 13 and 18 percent higher than those that produce mainly for domestic consumption.<sup>2</sup>

Finally, the benefits to Malaysian consumers should not be overlooked. Not only would they gain access to a wider variety of U.S. products, the prices that they pay for goods and services would also fall as a result of a more liberalized

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<sup>2</sup> "Export Manufacturers Compete Successfully in Pay, Productivity and Presence," Bureau of the Census Statistical Brief, January 1995. Available on [www.census.gov](http://www.census.gov).

trade regime. Malaysian factories that rely on U.S. inputs would also see a fall in the cost of their inputs, increasing their productivity and their competitiveness.

We are hoping to move these negotiations on a fast track. The legislation through which our Congress grants the Administration authority to negotiate international trade agreements will expire on July 1, 2007. To provide Congress with sufficient time to consider the agreement before this authority expires, we will seek to conclude our negotiations by the end of this year. We will need to work very hard, with a great deal of flexibility and understanding on both sides, to complete such a complex project in such a limited span of time. But our negotiators have a good understanding of the task ahead of them, as does the national leadership on both sides. I know both teams are committed to completing this agreement, which will bring significant benefits to both our countries, and will work hard to achieve success.

I would now be happy to take your questions.